

Universal Service Fund

Identification of State USF Recovery Amounts on Customer Bills

(December 2005)

BACKGROUND

The state Universal Service Fund (USF) exists per Wis. Stat. § 196.218.

The state USF is administered by the Public Service Commission (PSC).

Monies for the USF are obtained by assessments to telecommunications providers based on revenues of the providers. The legislature sets appropriations, and the PSC determines the assessment rates that are used for billing the providers for their share of the USF.

The USF supports several programs created by the PSC per Wis. Admin. Code ch. PSC 160. These are frequently referred to as the PSC USF programs. Included in this part of the USF are programs for low-income customers, persons with disabilities, high-rate areas of the state, non-profit organizations, and public interest payphones. Two other programs under this umbrella label of PSC USF programs are specifically mandated by the statutes:

a grant program for Telemedicine equipment (Wis. Stat. § 196.218(4u))

a Wisconsin Department of Public Instruction (DPI) program called the Newline for the Blind (Wis. Stat. § 196.218(5)(a)8.)

The USF is also used to provide support to some non-PSC related purposes—specifically for some TEACH programs, telecommunications systems at four campuses of the UW-System, and the DPI BadgerLink-Library Aids programs. The only PSC involvement on this part of the USF is to handle the assessment of the providers.

The PSC determines the assessment rates that are used for the four different programs. As an example, the current assessment rates are as follow:¹

PSC USF Programs	.02534 percent
TEACH	.07837 percent
UW-System	.00483 percent
DPI BadgerLink-Library Aids	.03589 percent

These are monthly assessment rates that apply to annual revenues.

¹ These are amounts as of December 2005. As USF assessment rates change, the PSC will update this identification of appropriate amounts that can be recovered in rates and identified on bills.

Providers get two bills from the state USF—one for the PSC USF assessment and one for the combined TEACH/UW-System/DPI BadgerLink-Library Aids assessment.

Since the USF originated, the statutes have included a prohibition on providers stating that they “may not establish a surcharge on customers’ bills to collect from customers contributions required” to be paid to the USF. Wis. Stat. § 196.218(3)(e)

When the TEACH/UW-System/DPI BadgerLink-Library Aids programs arose, the statutes were amended to allow local service providers to raise rates—without being subject to PSC approval or the various statutory restrictions on rate increases—in order to recover in rates the amounts they paid to the USF for covered TEACH/UW-System/DPI BadgerLink-Library Aids programs. (Although they still could not establish a surcharge.) As statutes were modified over time, this ability to raise rates was extended [effective June 12, 2004] to the amounts paid to cover the portion of the PSC USF programs for Telemedicine grants and the Newsline for the Blind).

In the recent state budget (Assembly Bill 100 – 2005 Wisconsin Act 25), there was provision enacted that states that if a provider does adjust its rates to cover the programs in the preceding paragraph that it **shall identify** on customer bills the amount of that rate adjustment.

The bill also states: “The public service commission shall provide telecommunications utilities the information necessary to identify this amount on the bill.”

ISSUES

TIMING

This new provision was effective immediately. Companies have already likely issued bills and not included the required identification. From a practical perspective, this is not a serious issue. The identification should proceed once the PSC has given the required information to the utilities and the utilities have modified their billing systems.

THE TYPE OF IDENTIFICATION

Utilities have asked if a separate line item can be used. For instance:

Local rate	\$14.00
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State USF surcharge	\$ 0.60
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Or, if it is appropriate to state something like this:

Local rate	\$14.60 *
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*Of this amount, \$0.60 covers certain State USF programs.

Both of these identification methods would appear to fall within the requirements of the wording of the new statute.

CAUTIONS

- Tariff revisions may be required from providers that have an obligation to file tariffs.
- Only amounts for the non-PSC USF programs, plus Telemedicine and Newsline for the Blind, may be so identified on the bills; and only to the extent that the providers actually have or had raised their rates.
- Providers should be prepared to document the amounts that rates are or have been adjusted and the related amounts identified on customers' bills.
- If the assessments go down, providers (that have previously raised rates to cover earlier assessments) should reduce rates accordingly.
- There will be a lack of consistency among providers because some may not have chosen to increase rates to recover these various amounts, while others may have done so. Thus, some companies will have a separately-identified state USF recovery amount and others won't, or the percentages could vary.

PSC INFORMATION FOR PROVIDERS

PSC staff has prepared a ***STATE USF ASSESSMENT and ITEMIZATION CHART*** that identifies the percentages of the state of Wisconsin USF assessment bills that are for the programs subject to the new statutory language.

This identification of percentages satisfies the statutory requirement imposed on the PSC. Providers will have to calculate the appropriate dollar amounts that are recovered in their rates.

Providers have the ability, per the provision noted above, to increase rates for **100 percent** of the assessment they get from the USF for the non-PSC USF programs (TEACH/UW-System/DPI BadgerLink-Library Aids).

For the USF assessment that the providers pay for the PSC USF programs, only a portion (for Telemedicine Grants and the Newsline for the Blind) can be so handled. At the current time, **5.1 percent** of the PSC USF assessment would be subject to rate increases and bill identification, per the provisions noted above.